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# Department of Public Health and Environment

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## Introduction

The Department of Public Health and Environment is authorized by Section 24-1-119(1), C.R.S. The Department is responsible for monitoring environmental quality, assuring the quality of health services, and maintaining health data for the State. The mission statement states that the Department is “dedicated to protecting and improving the health and environment of the people of Colorado.” The 11 major divisions are as follows:

- Health Facilities
- Emergency Medical Services and Prevention
- Disease Control and Environmental Epidemiology
- Family and Community Health Services
- Health Statistics and Vital Records
- Air Pollution Control
- Water Quality Control
- Hazardous Materials and Waste Management
- Consumer Protection
- Laboratory and Radiation Services
- Administrative Services

For Fiscal Year 1997 the Department had an operating budget totaling \$203,425,246. This budget supports 1,069.7 full-time equivalents (FTE).

The following comments and recommendations were prepared by the public accounting firm of Johnson, Holscher & Company, P.C., who performed audit work at the Department of Public Health and Environment.

## Continue Efforts to Implement Indirect Cost Methodology

In Fiscal Year 1997 the Department received more than \$141 million in federal grants. The federal government reimburses the Department for those costs that are directly

related to the purposes of the grants, such as the compensation of employees who specifically performed work in the grants. In addition, the federal government allows the Department to recover a portion of the costs that indirectly benefit the grants such as the salaries of administrative personnel and office supplies. The Department has determined that many of the divisions' administrative costs indirectly benefit the federal grants. A new method for allocating these administrative costs has been implemented.

Prior to 1996 various methods were used to allocate divisions' administrative costs to federal grants. Beginning in 1996 a new methodology, a statistical distribution system, was used by three divisions within the Department. This system accumulates the administrative costs and proportionally spreads them to federal grants on the basis of the direct employee time charged to each grant. Although this methodology will not significantly change the total costs recovered, it is a more accurate and organized method to capture and allocate the costs. The use of this methodology by all divisions should provide consistency within the Department.

Although federal regulations allow the use of a statistical distribution system, the Department is required to obtain approval from the oversight federal agency, the U.S. Department of Health and Human Services. This approval has not yet been obtained. Without the proper approval, all costs charged to federal grants using the new method could be disallowed, requiring the Department to refund the costs.

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### **Recommendation No. 13:**

The Department of Public Health and Environment should continue to seek approval from the oversight federal agency for the statistical distribution system. In addition, the system should be implemented on a departmentwide basis.

#### **Department of Public Health and Environment Response:**

Agree. The Department has requested approval from the U.S. Department of Health and Human Services, our cognizant agency, for the statistical distribution system. Although Health and Human Services has not responded, we will continue to seek approval for the system.

In addition, the Department is currently evaluating the applicability of the statistical distribution for each division and section of the Department. We plan to implement the system in all areas where we believe it is appropriate.

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## **Determine That Costs Are Funded From the Proper Revenue Source**

The Emergency Management Program within the Department of Public Health and Environment is responsible for statewide emergency response activities. The Unit's total Fiscal Year 1997 budget of \$506,741 was funded entirely from two federal grants. The Rocky Flats Agreement In Principle (AIP) was the largest of these grants. The Rocky Flats AIP provides funding for the "...direction and support for state activities that enhance coordination and capability to respond to possible incidents involving the release of hazardous or radioactive materials with off-site impact from the Rocky Flats Site."

The Rocky Flats AIP grant does not allow charges for general statewide response activities. However, we could not determine if this grant was charged for this type of activity. Prior to Fiscal Year 1998 the Unit's employees did not track their time spent on the various functions they performed.

In Fiscal Year 1998, of the Unit's total budget of \$506,707, a general fund appropriation of \$71,000 was provided. The employees have been directed to track their time spent on each function.

If the Rocky Flats AIP grant is being charged with unallowable costs, the Department may be at risk of having to refund those costs.

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### **Recommendation No. 14:**

The Department of Public Health and Environment should charge costs to the Rocky Flats AIP grant that are identified specifically with the performance of that grant. Other costs should be funded from the appropriate sources. To determine the adequacy of current funding sources, the Unit's employees should use accurate time reporting by function.

### **Department of Public Health and Environment Response:**

Agree. Beginning in Fiscal Year 1998 Emergency Management Program employees began tracking their time related to statewide emergency response activities separately from their time related to federal grants. These general

statewide emergency response activities will be monitored throughout the year, and if it appears that the general fund appropriation is not adequate to cover costs, additional general funding will be requested.

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